



Q3-2011 ANESTHESIA SERVICES INDUSTRY UPDATE

Provident Announces the Recapitalization of The Spine Center by Sentinel Capital Partners

The Spine Center (TSC) has completed a recapitalization with New York-based private equity firm Sentinel Capital Partners. The Spine Center family of companies is comprised of 15 physicians and nine clinical locations providing comprehensive interventional pain management (IPM) and spinal care services throughout major metropolitan areas in the state of Maryland. The Company also offers professional practice management and billing services for independent IPM groups nationally.

“The partnership with Sentinel will allow TSC to accelerate its growth to continue serving those who suffer from chronic spinal and back pain. With the group’s focus on utilizing minimally-invasive procedures in a lower-cost ambulatory setting, TSC is well-positioned to continue its growth as a market leader focused on providing quality care,” noted William Tao of Provident Healthcare Partners.

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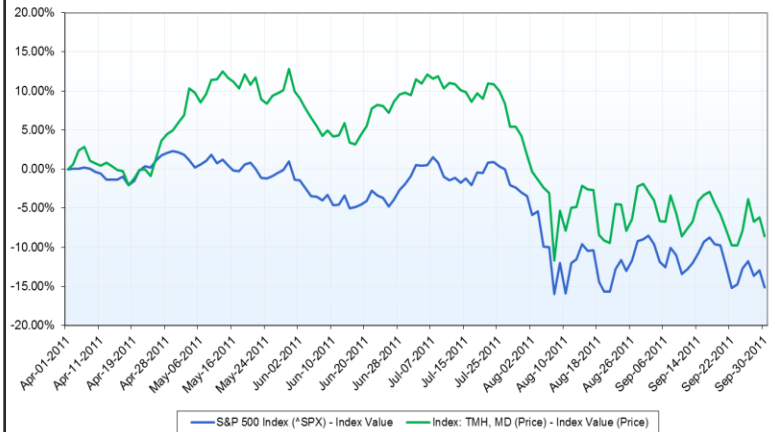
September 2011

Strategic Acquirers Expanding Surgery-Related Services

This quarter, EmCare, one of the largest outsourced physician services providers, completed the acquisition of Acute Surgical Care Specialists. Acute Surgical contracts with hospitals to provide trauma and general surgery staffing at client facilities. This will represent a new service line for EmCare and is intended to complement its existing physician services. As strategic acquirers, like EmCare, continue to expand their continuum of care, other competitors may seek similar opportunities in surgery services and will likely assess newer and more lucrative specialties to enter outside of their existing core services.

Comparative Performance

Below is a chart comparing the performance of an index of diversified outsourced health services companies (TeamHealth-TMH and MEDNAX-MD) to the S&P 500. TMH and MD continue to consistently outperform the S&P index.



While the comparative performance of the S&P index and the index of TMH and MD have dropped in response to recent market conditions, deal flow for physician services across a number of specialties still remained active through the end of Q3. TMH is currently trading at 8.1x EBITDA while MD is trading at 8.2x EBITDA.

MedPAC Proposes Reimbursement Changes

Physicians reimbursed by Medicare for services performed are facing a potential 29.5% cut based on calculations of the Sustainable Growth Rate for 2012. MedPAC has recently proposed an alternative solution for specialty services where anesthesia would experience cuts of 5.9% to its conversion factor from 2012-2014 and a freeze (specifically, no overall increase or decrease) from 2015-2021. The current national conversion factor is at an average of \$21.05, and based on MedPAC’s proposal, the conversion factor would decrease to \$17.54 in 2021. Medicare reimbursement would still be approximately 33% when compared to commercial reimbursement. This percentage discount represents a major disparity relative to other specialties.

RECENT TRANSACTIONS

Month	Acquirer	Target Company	Details
September 2011	TeamHealth	Anesthesia Services, Inc.	TeamHealth has acquired Anesthesia Services based in CO. The group provides outsourced anesthesia services to five hospitals and three ASCs with over 80 clinicians. Additional terms were not disclosed.
July 2011	MEDNAX	Pinnacle Anesthesia, P.L.	American Anesthesiology, a subsidiary of MEDNAX, has completed the acquisition of Pinnacle Anesthesia based in FL. Pinnacle is the exclusive provider at Delray Medical Center and West Boca Medical Center and also services a number of office-based practices. The group is comprised of 15 physicians and 16 CRNAs with annual patient volumes exceeding 20,000 cases. This acquisition represents MEDNAX’s entry into the anesthesia market in the southeast.